

## FinTech Sector and M&A Report

2018



### Digital transformation of payments

There are major shifts occurring in the payments industry, as this age-old market faces widespread digital disruption. We are seeing new payments players (tech giants & FinTechs) introducing an array of 'smart digital' products that are changing the way the market thinks and operates, as well as incumbents (payments specialists & banks) realigning themselves for future growth. Market consolidation is accelerating, which is creating scaled international specialists and regional champions, underpinned by excellent industry fundamentals - in retail payments especially, driven by e-commerce and mobile.

#### Key insights:

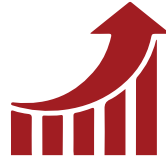
- The global payments sector is worth some €1.9 trillion and is currently expanding at a CAGR<sub>2016-2021</sub> of 7%, supported by the continued displacement of cash and growth in electronic transaction volumes.
- We are seeing accelerated consolidation in the European market, driven mainly by tech/payments specialists and increasingly private equity (PE). Deals are being used to deliver cost synergies, as most of the market is not operating at critical scale; geographic reach (new markets & customers); and innovative digital capabilities such as cloud services and machine learning (AI).
- In the EU deals are concentrated in Germany, the Nordics, France and the Netherlands, Capitalmind's core markets, where transaction sizes are growing and the largest platforms are becoming ever larger.
- A number of leading international payments players achieved major exits in Q1 and Q2, including IPO exits by EVO Payments, GreenSky and Adyen; and M&A exits by WorldPay (to Vantiv), iZettle (to PayPal), and Verifone (to Francisco Partners & British Columbia).
- Valuations are high, depending on segment positioning, ranging between 8x and 24x EBITDA for listed players. In terms of Total Shareholder Returns (TSR), payments has outperformed other financial services categories by a wide margin over the past 10 years.
- Blockchain has the potential to revolutionize payments services, because the technology behind cryptocurrencies makes payments dramatically faster, cheaper and more secure. It is no surprise to see blockchain being adopted by the mainstream (ie. banks and traditional payments providers). Moreover, this mega-trend is only just beginning.



**Arne Laarveld**  
Partner, Capitalmind

*"Payments has become a hot space for deal-making as traditional incumbents (banks & payments specialists) and new payments players (tech giants & FinTechs) look to tap this high growth and rapidly changing market. Deals are being used to tap new digital capabilities, and to reach new customers and geographic markets. PE has recently become an active player, which is further boosting already high valuations."*

# Key takeaways



## 7% growth

Payments is by far the most mature FinTech market and is expanding at a significantly faster rate than other financial services category. The rise of online customers and purchases is supporting this growth, and catalyzing the pace of innovation.



## M&A

M&A activity is accelerating, as the market embarks on consolidation (scale, cost synergies), seeks innovative digital capabilities and access to new and complementary markets.



## Buy-side demand

Buyers are highly acquisitive and include traditional financial incumbents (payments specialists & banks), tech giants and now also PE, who are seeking buy & build projects.



## Blockchain

The distributed ledger technology promises to revolutionize the payments sector.

## Our recent deals in FinTech

 Sold to 	 Sold to 	 Acquisition (minority) from 	 Sold to 	 Acquisition of 
Financial software	Web based micro-finance	Credit risk management	Payment services provider	Hosting and payment activities
 Funding by 	 Sold to 	 Merger with 	 Series A funding by existing shareholders and 	
Payment services provider	Financial software	Payment services provider	Digital wealth management	

**If you would like to discuss this report in more detail or opportunities for your business, please get in touch**



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Arne has worked in corporate finance advisory for 20+ years, advising start-ups, mid-caps (incl. family-owned) and larger corporates on transactions in the industrial technology, consumer and financial services sectors.

Before joining Capitalmind, he was managing director and co-founder of boutique investment bank Equinet; and also served as corporate finance coordinator of the M&A and the ECM Group within the European Securities Network (ESN).

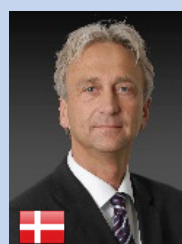
Arne started his career in the corporate finance department of Dresdner Kleinwort (the investment banking division of Dresdner Bank) and served as assistant to the bank's management board in both Frankfurt and London. At Capitalmind, Arne initiated and also leads the firm's FinTech sector coverage.



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